

Corporate Credit Rating

New Update

Sector: Fleet Leasing
Publishing Date: 15/12/2022

Chief Analyst

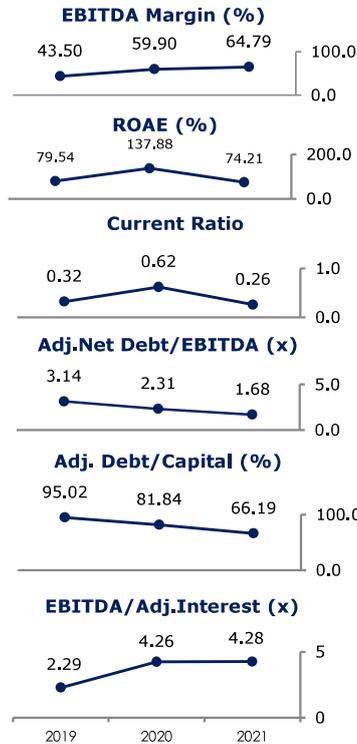
Abdullah Demirer
+90 212 352 56 73
abdullah.demirer@jcrer.com.tr

Analyst

Yunus Katranci
+90 212 352 56 73
yunus.katranci@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	A+ (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022



Garanti Filo Yönetim Hizmetleri A.Ş.

JCR Eurasia Rating, has evaluated consolidated structure of **Garanti Filo Yönetim Hizmetleri A.Ş.** in investment-level category and affirmed the Long-Term National Issuer Credit Rating at '**A+ (tr)**' and the Short-Term National Issuer Credit Rating at '**J1 (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Garanti Filo Yönetim Hizmetleri A.Ş. (hereinafter referred to as 'Garanti BBVA Filo' or 'the Company') was established in 2007 to rent or operate all kinds of motorized and non-motorized land vehicles, all kinds of yachts, vessels, boats, and all machinery that can be described as working machine, including tractors. The Company carries out operational fleet leasing services of many brands of motor vehicles. Reaching more than 2,600 customers thanks to its diversified distribution channels, Garanti BBVA Filo also provides second-hand passenger car sales services to its wide customer portfolio, in addition to fleet management services in line with their needs. As of June 2022, the Company has an active vehicle park of 18,873. The Company employed a total workforce of 84 as of FYE2021 (FYE2020: 80).

Garanti Finansal Kiralama A.Ş., the Company's sole shareholder, was established in 1990 to carry out financial leasing transactions at home and abroad. Since its establishment, it has been carrying out leasing transactions of corporate, commercial, small and medium-sized enterprises to cover a wide customer base. On the other hand, Garanti Finansal Kiralama A.Ş.'s main partner, Türkiye Garanti Bankası A.Ş. is one of the leading banks in Turkey with its consolidated asset size reaching TRY 849bn as of December 31, 2021. Garanti BBVA operates in all business lines of the banking industry, including corporate, commercial, SME, retail, private and investment banking and payment systems and serves its customers with 863 branches in Turkey, seven branches in Cyprus and one in Malta. The controlling shareholder of Garanti BBVA is Banco Bilbao Vizcaya Argentaria S.A. (BBVA), which owns 85.97% of its shares. The actual free float of Garanti BBVA in Borsa Istanbul is 14.03% as of the reporting date.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Upward trend in EBITDA generation capacity driven by second-hand car sales
- Steady improvement in financial leverage ratios
- Improvement in equity level supported by net profit and retained earnings in the analyzed periods
- Upward trend in market share during the review period and strong brand recognition
- Asset structure, capable of converting into cash rapidly
- Multiyear contracts provide high earnings predictability
- Diversified client structure mitigates revenue concentration risk
- Being subsidiary of a reputable and strong shareholder
- High level of compliance with corporate governance principles
- Steady demand outlook in fleet leasing sector due to willingness of companies to prefer leased vehicles

Constraints

- Possible fluctuations in demand due to sector-specific regulations and high correlation with macroeconomic dynamics
- Potential volatility in used car prices in the market may put pressure on profitability margins
- Ongoing global chip shortage stands out as a potential threat for the Company and industry
- Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections

Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed at '**A+ (tr)**'. The Company's EBITDA generation performance, internal equity generation capacity, strong shareholder and improved financial leverage indicators along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. The Company's growth strategy, profitability indicators, financial leverage and asset quality will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.